AID ORPHANS: A COLLECTIVE RESPONSIBILITY?
IMPROVED IDENTIFICATION AND MONITORING OF UNDER-AIDED COUNTRIES

DAC Meeting, 10 May 2011

This document is submitted for APPROVAL under Item 6 of the Draft Annotated DAC Meeting Agenda [DCD/DAC/A(2011)7].

It is the same document that was circulated as a room document (for information) at the SLM as part of the discussion on the “Roadmap to Busan” [DCD/DAC(2011)8/REV1]. The SLM acknowledged the importance of improving aid allocation patterns -- in particular the issue of under-aided countries -- and recommended that the DAC explore this issue further.

The DAC discussion on the 10th of May will provide guidance and insights for shaping further work in this regard, in particular as to establishing a monitoring mechanism or “Watchlist”. In light of the discussion, and as needed, the document may be revised and re-issued as final.

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ABSTRACT

Aid allocations vary significantly from one country to another - but such variations are neither equitable nor efficient. The phenomenon of under-aided low income countries (LICs), commonly referred to as aid orphans, is the result of a marked dysfunction of the current global development cooperation system. The Accra Agenda for Action (AAA) commitment to “improve allocation of resources across countries” and to “work to address the issues of countries that receive insufficient aid” was a response to this concern. However, not much progress in addressing this issue in an informed and co-ordinated manner among DAC Members has been observed since Accra. Technical preparations are sufficiently advanced to support rapid progress in this area and the DAC could carry forward this work.

Without impinging on each donor’s right to determine its own allocations, it is, however, useful to examine jointly how to increase the efficiency of global aid allocations, in particular to address systemic gaps such as the existence of critically under-aided LICs. This paper proposes a practical way to identify significantly under-aided countries, given the differences in views and approaches on what constitutes under-aided. Such practical step to improve their identification would be to use a blend of various established benchmarks to generate a non-binding “list of lists” to flag potentially under-aided countries, a so-called “Aid Orphans Watch List”.

Having a kind of early warning system, or “watch list”, is not to say that aid should automatically be substantially scaled up to these countries, nor by how much. Nevertheless, appearing on a watch list would signal the need for a careful look and joint discussion that would also take account of other relevant factors, such as severe governance or other absorptive capacity constraints.

As of today 20 countries would appear on such a list. These are mostly fragile states, with low institutional capacity and with important MDG gaps. The paper suggests that the DAC could establish an inclusive periodic monitoring mechanism around such a watch list. Such a list could provide not only an informed basis for individual decision making by donors, but also for the co-ordinated collective action which is needed to improve the combined impact, efficiency and effectiveness across countries of development assistance allocations from all sources, including emerging donors and major official donors.
BACKGROUND

1. Busan will be a unique opportunity to take stock of progress made on past commitments, but also to define and initiate new priority areas for collective action, engaging a broad partnership of both DAC and non-DAC actors. One such potential area relates to improving the combined impact, efficiency and effectiveness across countries of development assistance allocations from all sources. A marked dysfunction of the current global development cooperation system is the phenomenon of under-aided low income countries (LICs), commonly referred to as “aid orphans”. By objective standards measuring their needs, performance and absorption capacity, summarised in this paper, these receive too little aid, relative to others.1.

2. This pattern of gaps and overlaps, and especially the situation of under-aided states, stem from a diverse individual development assistance objectives, historical contexts and sovereign allocation criteria adopted by development actors, and largely un-coordinated with most others. It would be unrealistic to expect this underlying situation to change drastically and neither should it. Identifying, monitoring and beginning to correct some of the worst consequences of such distortions would nonetheless be both globally fairer and more effective. It would allow faster progress towards the MDGs, since more aid could be made available to countries in most need and with the best ability to use it.

3. Building on recent empirical work2, this paper proposes a practical way to identify significantly under-aided countries and a light monitoring framework which could not only create common ground for potential co-ordination, but also help to inform individual decision making by donors. It also builds on recent expert discussions hosted by the OECD on aid allocations in October 20103. The meeting recommended that more political leadership in this area was required. The DAC is a key player in the context and in the wake of Busan, we have the opportunity to demonstrate progress by agreeing on sound and robust principles for addressing the aid orphan gap.

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1. Other countries may seem relatively better off against the same benchmarks, including so-called “aid darlings”, but still face large absolute funding gaps of course, making mechanical re-balancing within any given global resource pool undesirable as well as impractical. We do not pursue the “donor darling” set of issues further in this paper.

2. Update and expansion of recent work undertaken by the World Bank to identify under-aided countries [Robert Utz, World Bank, Will countries that receive insufficient aid please stand up? (2010)]. On this issue, the OECD has over the past couple of years worked in close collaboration with the research department of the World Bank.

WHY IS A NEW EFFORT TO ADDRESS GLOBAL AID ALLOCATION ISSUES NECESSARY?

4. Aid allocations, measured in terms of Country programmable aid (CPA), vary significantly from one country to another, as illustrated in the maps below.

**Aid per capita and as a share of GNI**

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4. Aid is measured in terms of donors’ contributions to country-level development programmes, or country programmable aid (CPA), which is critical for delivery international aid commitments in support of the MDGs but also represent the proportion of aid that is subjected to country by country allocation decisions. (for more information on CPA see www.oecd.org/dac/scalingup)
5. Globally, aid represents 0.6% of GNI or USD 15 per person. For LICs, aid represents on average 8% of GNI but with large disparities across countries. For some LICs, aid corresponds to a fifth or more of their national income and/or more than USD 100 per person. Excluding these outliers, it represent for the majority of the LICs on average 6% of GNI or USD 32 per person. Among the LICs, fragile states\(^5\), who represent two thirds of the countries in this income group, have five percentage points higher share of aid of their national income, but only receive USD 1 more aid per person compared to the non fragile LICs.

6. Such variations generate both inequalities and inefficiencies, as the international community can fail to invest where aid will have most impact. The Accra Agenda for Action (AAA) commitment to “improve allocation of resources across countries” and to “work to address the issues of countries that receive insufficient aid” is a response to this growing concern. In the current climate of budgetary austerity in OECD countries, it is unlikely that the donor community can solve the problem of under-aided countries only through increasing overall aid resources, additional to what would otherwise have been provided under current allocations. This is confirmed by the OECD-DAC Survey on Donors’ Forward Spending Plans which shows stagnating future aid trends.\(^6\) Therefore the issue of under-aided countries is not likely to be met from scaled up resources initially. Over time, one advantage of the proposed monitoring framework would be to flag opportunities to target part of future growth as and when it occurs.

7. Each donor makes its sovereign decisions regarding goals, priorities and the incentives framework of its aid programme, and will continue to do so. The purpose is not to promote a top-down approach to aid allocation, nor to set “optimal” levels of funding for specific countries, but to stimulate a co-ordinated approach to address this issue through a co-ordinated monitoring mechanism and to provide input for informed decision making by individual donors. However, resolving the issue of under-aided countries, in the absence of increasing aid envelopes, will ultimately entail reducing aid allocations elsewhere, and/or capitalising on efficiency savings.

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5. These are countries classified as fragile and/or conflict-affected states according to the working definition of the International Network on Conflict and Fragility (INCAF) and is not an official DAC list or definition. This list compiles various measures for fragility, such as the World Bank CPIA bottom two quintiles; Brookings Index of State Weakness in the Developing World; Fund for Peace Failed States Index and Carleton University Country Indicators for Foreign Policy (CIFP) rankings. (See OECD (2010), “Ensuring Fragile States are not left Behind”).

6. The 2010-2012 survey estimated that growth donors’ forward spending is expected to decelerate from an average annual growth rate of 7% in the past three years to just 2.5% for the coming years [DCD(2010)4/FINAL].
CURRENT SITUATION

Multitude of approaches and no single definition of under-aided countries

8. One problem in addressing the issue of under-aided countries is that, even within the DAC let alone in the broader development community, there is no single agreed aid allocation approach and no single definition or benchmark against which to assess which countries are under-aided. Reviewing donors’ aid allocations practices reveals a multitude of approaches, which differ across donors, with a clear difference between bilateral and multilateral donors as a group. Neither group explicitly accepts it as their mandate to use their allocations to correct for (part of) the gaps or overlaps created by the rest of the development community.

9. **Bilateral donors** do not generally use quantitative aid allocation formulas, with a few exceptions, such as the United Kingdom and the Netherlands which use quantitative approaches as an input to guide their actual aid allocations, which also reflect political judgement. Bilateral donors’ allocations reflect a mix of criteria, some of which are quantifiable and others not - ranging from needs (e.g. income, MDGs, poverty), institutional performance (as an indicator of likely effectiveness and of fiduciary risks), historical and colonial ties, commercial and geopolitical interests and regional or global public goods, including specific attention to countries affected by conflict and fragility.

10. On the other hand, a majority of **multilateral agencies** use transparent resource allocation formulas to determine their aid allocations. The allocations formulas of the multilateral Development Banks’ concessional funds (such as IDA and African and Asian Development Funds) take into account both needs (measured in terms of population and income per capita) and country institutional performance. The United Nations’ agencies use other allocations approaches, largely based on needs, using similar measures. For some global funds and programmes, such as the Global Fund, resource allocations are driven by project-specific demand and programme performance. In practice multilateral allocation approaches build in subsequent exceptions and modifications that permit flexibility in allocations, including by setting floor and ceilings for different country groups or for country size and excluding some countries from the formula’s coverage.

11. Common to most aid allocation approaches, whether formal or not, is that they are to varying degrees inspired by the normative approach of **poverty-efficient aid allocations**, i.e. the principle that aid should be allocated to countries where there is more poverty and where aid is expected to have more impact on poverty and growth (i.e. in good policy environments). This tradition is by no means universal, however, and not necessarily embedded in approaches by other providers of development co-operation such as emerging donors and major non-official donors such as private foundations and NGOs.

12. Another common feature is that **aid allocation decisions are generally unilateral**, meaning that in their aid allocation decisions, donors do not usually factor in information of what others are doing or planning to do, even where this information exists. This shows up in two related ways. *One* is in the choice of countries: most agencies have already decided on a set of eligible countries (for example by imposing an income cut-off, or determining focus countries on priority grounds) before any other cross-country comparisons leading to allocation decisions are made. *Another* is that hardly any donors build into their allocations approaches any analysis of whether a given country is – by whatever criteria the donor thinks applicable – over or under-funded by all other aid actors combined.
13. In other words, there is little attempt at a balancing function. If at least a few donors played that role this would help to increase overall allocative efficiency. However, it is arguably in none of their individual institutional interests to make such a correction. For example in the case of multilaterals with poverty-efficient formulas already in place (in the view of their governing boards, at least), they would have to shift resources away from this frontier to cover for the relatively unpredictable actions of other donors, not just recipient country parameters already in their mandates. Or they would ask to be separately funded for the additional corrective function, if a consensus around that emerged.

_Inconclusive debate as to which factors are most important in aid allocations_

14. There has been a long and still unfinished debate on optimal aid allocations, including in the DAC which started in 2001. This can be roughly summarised along _three tracks_. First, many empirical studies of aid allocations have demonstrated a _systematic bias in favour of less populated countries_. Aid allocation per capita to smaller countries tends to be significantly higher than to more populous countries. For example, for data for 2008-2009 a country with five times the population of another country received one-third less per capita. Overall, there has been some reduction in the small country bias over a decade or more; populous countries with high poverty headcounts (like Ethiopia, Nigeria, Pakistan, Tanzania and Viet Nam) have seen important increases in aid levels. Aid allocations are thereby increasingly focused on countries where it is possible to achieve the largest aggregate reduction in global poverty.

15. The _second_ argument track is about _how to measure need and how much relative weight_ to assign it. Some suggest a measure that goes beyond income to include the extent to which countries are _off-target for meeting the MDGs or other measures such as the human development index_ (HDI). More and more donors agree that criteria measuring income mask major underlying differences on development challenges and therefore are inadequate proxies for multi-dimensional poverty. This has led donors to look for alternative measures, e.g. the UK included HDI as a criterion to measure country focus in its recent bilateral and multilateral aid review, and UNDP is also considering using this indicator – among other measures – to revise its country allocation formula.

16. _Third_, the _debate on the weight of institutional performance remains contentious_, with some still seeing such ratings as a relatively good empirical predictor of future effectiveness of the use of funds and others challenging this empirically, and/or as unfairly penalising those most in need. This discussion has two components. First there is the sense that the _weight_ given to country performance assessments (such as the exponent on that term in the IDA15 formula) is too high, relative to needs. Then there is concern on whether recent _performance for fragile states_, especially post-conflict and recovering countries, is a valid predictor of their future effectiveness in absorbing aid: they can leverage one-off change which has not yet translated into formal ratings, and exploit windows of opportunity for future growth and poverty reduction, or conversely, relapse into conflict: this is not a linear process. Moreover, it is arguable that broader spill over risks posed by these countries for their neighbours or for global security need to be factored explicitly into the allocations process.

_Normative approaches (benchmarks)_

17. Mapping of all these practices leads to identifying a few key normative aid allocations approaches and models. These range from simplistic approaches assuming equal aid per capita to more sophisticated formulas based on countries’ past institutional performance, poverty levels and income. The box below presents a brief description of the various models.

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7. OECD Expert seminar series on Aid Effectiveness, Selectivity and Poor Performers.
Overview of normative aid allocation benchmarks

The egalitarian allocation model on the basis of per capita is based on the principle that each person in an eligible country receives the same amount of aid (i.e. it distributes aid equally among all citizens, leading to higher levels of aid to more populous countries).

The aid to GDP benchmark model is a variant of the above, which allocates the same share of national income to each eligible country. Higher-income eligible countries would get proportionally more than lower income countries and countries with similar incomes would get the same amount of aid.

The Collier/Dollar poverty-efficient aid allocation model developed by Paul Collier and David Dollar in 2001 was designed to maximise global poverty reduction. The model combines a country’s poverty headcount (the number of people living below two dollars per day), per capita income and country institutional performance, to determine the optimum aid allocation across countries to reduce global poverty. Collier-Dollar initially calculated allocations with no small-country bias and then added a substantial small-country bias, reflecting actual donor practice rather than a policy recommendation.

The IDA 15 performance based allocation model closely related to the Collier-Dollar model, provides the basis for allocation of the World Bank’s current concessional resources. The model attaches an important weight both to countries’ institutional and policy performance and to need, measured by size of population and per capita income. High institutional performing countries received nearly three times more aid per capita than low performing countries from IDA15. Most multilateral development banks apply a variant of this model.

The UNDP TRAC-1 allocation model uses population and per capita income weights based on the Executive Board’s approved weighting system, which gives higher weights to poorer and more populated countries. Each country receives a score based on its size and needs, which form the basis of the base allocations. Floors and ceilings are applied to take account of judgments on fairness across countries.

18. All normative approaches include a small country bias (based on current allocations) to varying degrees, whether in the allocation formula, through ceilings for highly populated countries or through aid “floors” to ensure a lowest level of aid for each country or through excluding countries from coverage.
WHO ARE THE AID ORPHANS?

19. In sum, donors, whether they use quantitative approaches or not, attach different weights to country needs and performance, regional and global factors, and their own self interest. There is no one ‘right’ way, all approaches have their merits and disadvantages. What this paper proposes is to look at the implications of several normative aid allocations approaches and models in an effort to identify which countries appear underfunded under several of these different approaches. It only looks at LICs, with per capita income below USD 995. These countries rely heavily on concessional resources and for them the question of under-funding is crucial. This abstracts from crisis-induced needs such as the spike in food prices, which will in the near future increase financing needs for net food importers, aggravating the issue of under-funding for those already in need of additional resources.

20. In practice, actual aid allocations are benchmarked against aid allocations that would results from the different normative approaches. For each benchmark, countries with actual aid receipts, measured in terms of CPA, of at least one percentage point of GDP below the benchmark allocation are considered to receive insufficient aid. The purpose is not to provide estimates in monetary terms of the level of under-funding, but to find ways through which countries can be flagged for a more country specific review.

21. Table 1 shows the potential list of under-aided to indentify under-aided countries which are set to receive insufficient aid levels according to at least of one benchmark (up to 4 benchmarks). Together 32 countries appear on the lists and represent the most vulnerable countries, namely the Least Developed Countries (LDCs). The potentially under-aided countries are also to a large extent fragile states, with low institutional policy ratings (i.e. Country Policy Institutional Assessment score below 3.2) and lagging behind in achieving the MDGs. Ten countries appear on the country lists based on three or more benchmarks (five of these are francophone countries in Africa) and we propose that these should trigger close attention. Countries appearing on the lists based on two benchmarks should trigger some attention.

22. The maximum resources that would hypothetically be required to close the funding gap of all aid orphans varies widely from one benchmark method to another from a low USD 7.3 billion to a high of USD 11.3 billion depending on the benchmark criteria used (highest benchmark is the poverty-efficient aid allocation and lowest is the IDA performance based allocations), with a simple average of USD 9.2 billion. These are important gaps, and represent on average 15% of the total country programmable aid of countries that are not under-aided.

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8. Income thresholds set for 2009 flows.
Table 1. Lists of potentially under-aided countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Equal aid to GDP</th>
<th>Equal aid per capita</th>
<th>Poverty-efficient aid allocation</th>
<th>IDA’s performance based allocations</th>
<th>UNDF’s TRAC1 aid allocations</th>
<th>Number of benchmarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangladesh</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>4</td>
</tr>
<tr>
<td>Chad</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>4</td>
</tr>
<tr>
<td>Guinea</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>4</td>
</tr>
<tr>
<td>Madagascar</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>4</td>
</tr>
<tr>
<td>Niger</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>4</td>
</tr>
<tr>
<td>Comoros</td>
<td>x</td>
<td>x</td>
<td></td>
<td>x</td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>Eritrea</td>
<td>x</td>
<td>x</td>
<td></td>
<td>x</td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>Gambia</td>
<td>x</td>
<td>x</td>
<td></td>
<td>x</td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>Myanmar</td>
<td>x</td>
<td>x</td>
<td></td>
<td>x</td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>Nepal</td>
<td>x</td>
<td>x</td>
<td></td>
<td>x</td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>Burkina Faso</td>
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<td>x</td>
<td></td>
<td>x</td>
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<tr>
<td>Burundi</td>
<td></td>
<td></td>
<td></td>
<td>x</td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>Central African Rep.</td>
<td></td>
<td></td>
<td></td>
<td>x</td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>Congo, Dem. Rep.</td>
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<td></td>
<td></td>
<td>x</td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>Ethiopia</td>
<td></td>
<td></td>
<td>x</td>
<td>x</td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>Lesotho</td>
<td></td>
<td>x</td>
<td></td>
<td>x</td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>Tajikistan</td>
<td></td>
<td>x</td>
<td></td>
<td>x</td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>Togo</td>
<td></td>
<td>x</td>
<td></td>
<td>x</td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>Uganda</td>
<td></td>
<td></td>
<td>x</td>
<td>x</td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td></td>
<td>x</td>
<td></td>
<td>x</td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>12 countries*</td>
<td></td>
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<td>1</td>
</tr>
</tbody>
</table>

Total: 32 countries 14 15 12 7 19

* These countries are: Benin, Cambodia, Guinea-Bissau, Kenya, Kyrgyz Republic, Laos, Liberia, Malawi, Mauritania, Sierra Leone, Tanzania and Viet Nam
WHAT ARE POSSIBLE SOLUTIONS TO START TACKLING THIS ISSUE?

23. The OECD expert meeting in October 2010 agreed that given differences in views on what constitutes under-aided, using multiple approaches would be important to getting broad agreement on countries to be flagged for a more country specific review. Countries under-aided according to two or more benchmarks would merit inclusion on a “watch list” of countries for further analysis and discussion, which as of today would consist of the countries listed in Table 2.

24. Having a kind of flag, or “watch list”, is not to say that aid should automatically be substantially scaled up to these countries, nor by how much. It is also not to say that each measure is equally valid. But we propose that appearing on a watch list of under-aided countries would signal the need for a careful look and joint discussion that would also take account of other relevant factors, such as severe governance or other absorptive capacity constraints, not adequately captured in quantitative approaches.

Table 2. Aid Orphans Watch List

<table>
<thead>
<tr>
<th>Country</th>
<th>Region</th>
<th>Fragile and/or conflict-affected state*</th>
<th>Least Developed Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangladesh</td>
<td>South and Central Asia</td>
<td>Fragile</td>
<td>LDC</td>
</tr>
<tr>
<td>Chad</td>
<td>Sub-Saharan Africa</td>
<td>Fragile</td>
<td>LDC</td>
</tr>
<tr>
<td>Guinea</td>
<td>Sub-Saharan Africa</td>
<td>Fragile</td>
<td>LDC</td>
</tr>
<tr>
<td>Madagascar</td>
<td>Sub-Saharan Africa</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Niger</td>
<td>Sub-Saharan Africa</td>
<td>Fragile</td>
<td>LDC</td>
</tr>
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<td>Comoros</td>
<td>Sub-Saharan Africa</td>
<td>Fragile</td>
<td>LDC</td>
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<tr>
<td>Eritrea</td>
<td>Sub-Saharan Africa</td>
<td>Fragile</td>
<td>LDC</td>
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<td>Gambia</td>
<td>Sub-Saharan Africa</td>
<td>Fragile</td>
<td>LDC</td>
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<tr>
<td>Myanmar</td>
<td>South and Central Asia</td>
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<td>LDC</td>
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<tr>
<td>Nepal</td>
<td>South and Central Asia</td>
<td>Fragile</td>
<td>LDC</td>
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<td>Burkina Faso</td>
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<td>Burundi</td>
<td>Sub-Saharan Africa</td>
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<td>Central African Rep.</td>
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<td>Congo, Dem. Rep.</td>
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<td>Zimbabwe</td>
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</tbody>
</table>

Total: 20 countries | 16 fragile states | 18 LDCs

* These are countries classified as fragile and/or conflict-affected states according to the working definition of the International Network on Conflict and Fragility (INCAF).
25. Of the twenty countries above, 16 are considered fragile and/or conflict affected by most measures and these countries vary significantly as to their ability to absorb aid. Recent research have argued that while most fragile states are can efficiently absorb greater amounts of aid than they currently receive. Even the category of “highly” fragile states can make use of additional aid, if spent by alternative means such as community-driven development programmes and direct service delivery.

26. A key question remains: who might do any required balancing? The meeting also emphasised the need for co-ordinated collective action. Hardly any donor takes account of what others are doing, at least in a systematic way, as discussed above. Thus, for example, contributors to IDA have asked it to allocate funds rationally within its given envelope, as if it were the only donor, rather than to play even to a minor extent a balancing role that would bring global aid allocations closer to what the IDA allocation formula would suggest. Moreover, the current donor emphasis on cross-country selectivity (i.e. the increase focus on fewer partnerships) could inadvertently aggravate exit from donor orphans by bilaterals.

27. The data generated by the DAC Survey on Donors’ Forward Spending Plans is useful for reviewing the outlook for global aid allocations in terms of inefficiencies and imbalances. The survey, currently under a confidentiality agreement which precludes publication of country data for each agency, provides information on the likely aggregate outcome of country allocation decisions taken individually by 47 bilateral, multilateral and non-DAC donors for the coming years, and allows identification of overall patterns in terms of future gaps and overlaps in global allocation. 

Lifting the confidentiality requirements around the survey would provide all stakeholders transparent information to act on, and pave the way for more informed collective action. This would not only help meet the AAA commitment on aid predictability and transparency but also help the international community make more informed decisions to address global gaps in aid allocations.

28. Emerging donors and major non-official donors (private foundations and NGOs) should also take part in discussions and collective action to address the issue of under-aided countries. These actors provide increasing amounts of development assistance. This will enable them, as well as DAC donors, to make more informed decisions about the efficiency of their interventions without interfering with their right to draw their own conclusions. The OECD work to increase information about aid provided by these actors is essential and contributes to better dialogue and co-ordination to address the issue of aid orphans.

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29. To stimulate more political leadership to advance the AAA commitment to “work to address the issue of countries that receive insufficient aid”, this paper invites discussions around the following questions:

- Without impinging on each donor’s right to determine its own allocations, could there be a consensus about the usefulness of jointly examining how to increase the efficiency of global aid allocations, in particular to address systemic gaps such as the existence of critically under-aided low-income countries?

- Could there be an agreement that the continued absence of a mutually agreed benchmarking process to flag cases meriting more detailed examination hampers any such effort?

- Could it be established that a modest but practical step would be to use a system of multiple benchmarks to establish a non-binding “list of lists” to flag potentially under-aided countries for more detailed consideration, as presented in this paper?

- Should a periodically updated DAC monitoring mechanism around such a watch list be established?

- Should work be undertaken now to pave the way towards agreement – at Busan – on an inclusive mechanism going beyond DAC donors to monitor aid orphans in the future?

- Should there be regular discussion of development finance trends and needs for countries on this watch list at least once a year? How could this be organised most productively?

- How might bilateral and multilateral donors approach the aid orphan “rebalancing” challenge, in terms of future division of labour?

- Finally, could it be established that lifting the confidentiality requirements on donors’ future aid intentions surveyed by the OECD is critical to help address gaps and overlaps in aid allocations, as well as to fulfil AAA commitments on aid predictability?
ANNEX A: AID RECEIPTS OF LICs

Aid receipts per capita and as a share of GNI (2008/09) - countries sorted by aid receipts per capita

Aid receipts per capita and as a share of GNI (2008/09) - countries sorted by population size
ANNEX B: BIBLIOGRAPHY


